

Message Text

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TAGS: BMEP ETRD ETRN KU

SUBJ: KUWAIT AIR TERMINAL: FMC MAKES STRONG EFFORT FOR \$9

MILLION CARGO SYSTEM

REF: A) KUWAIT 4341; B) KUWAIT 3343; C) KUWAIT 2977

SUMMARY: DUTCH-LEBANESE CONSORTIUM HAS WON PRIME CONTRACT FOR KUWAIT AIRPORT TERMINAL BUT FMC CORP HAS MADE STRONG BID FOR \$9 MILLION SUB-CONTRACT FOR CARGO-HANDLING SYSTEM. HOWEVER, FMC NOW FACES STRONG COMPETITION FROM PREVIOUSLY DISQUALIFIED GERMAN FIRM AND HAS SENT REPS TO AREA IN ORDER SALVAGE SITUATION. EMBASSY HAS SUPPORTED FMC EFFORTS AND IS MONITORING SITUATION WHICH NOW APPEARS SOMEWHAT IMPROVED. NEVERTHELESS, WE BELIEVE FMC MUST REDUCE OR MODIFY ORIGINAL BID IF THEY TO BE SUCCESSFUL. END SUMMARY

1. VERY FEW US FIRMS COMPETED ON SEPARATE TENDERS FOR KUWAIT'S INTERNATIONAL AIRPORT TERMINAL. NO US FIRM BID FOR PRIME CONTRACT WHICH WILL GO TO DUTCH-LEBANESE CONSORTIUM NOEDAM-BALLAST-SOLICO WHICH BID APPROXIMATELY KD 26 MILLION (KD1 EQUALS \$3.38). ONLY FOUR MONTHS PREVIOUS, NOEDAM-BALLAST WON THE CONSTRUCTION CONTRACT FOR KUWAIT'S \$45 MILLION RADIO-LIMITED OFFICIAL USE

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TV CENTER.

2. ONE BRIGHT SPOT FOR US WAS MATERIALS HANDLING SYSTEM DIVISION, FMC CORP WHICH PUT IN ELEVENTH HOUR BID FOR CARGO-HANDLING PORTION OF TENDER. CENTRAL TENDERS COMMITTEE, WHICH NORMALLY MUST QUALIFY ALL BIDS BEFORE CONCERNED MINISTRY CAN EVALUATE THEM, APPROVED FMC BID WHICH SECOND LOWEST AND DISQUALIFIED GERMAN FIRM MANNESMANN ALTHOUGH THEIR BID ALMOST KD 1 MILLION BELOW FMC. DISQUALIFICATION WAS DUE MANNESMANN FAILURE TO POST BANK GUARANTEES AND CONFORM WITH OTHER KEY ADMINISTRATIVE REQUIREMENTS.

3. NEVERTHELESS, WE RECENTLY LEARNED MIN PUBLIC WORKS WAS CONSIDERING MANNESMANN BID ANYWAY WITH PROBABLE VIEW TO THROWING OUT CARGO-HANDLING TENDER AND ENTERING INTO DIRECT NEGOTIATIONS WITH GERMAN COMPANY.

4. IN TELCON WITH COMMOFF FMC WAS APPRISED OF DETERIORATING SITUATION AND AS RESULT FMC REPS RETURNED HERE AND MET WITH AMBASSADOR AND EMBOFFS. THEY WERE ASSURED EMBASSY PREPARED TO ASSIST IN ANY REASONABLE MANNER. PRIOR TO THEIR ARRIVAL COMMOFF MET WITH SEVERAL APPROPRIATE GOK OFFICIALS TO EXPRESS EMBASSY'S CONCERN THAT FMC BE ACCORDED CONSIDERATION COMMENSURATE WITH THEIR STANDING AS LOWEST QUALIFIED BIDDER FOR CONTRACT.

5. DURING VISIT HERE, FMC REPS ALSO MET TOP MIN PUBLIC WORKS OFFICIALS AS WELL AS PROJECT'S JAPANESE TECHNICAL CONSULTANTS. THEY POINTED OUT GERMAN BID WAS OFF-THE-SHELF, AND WHILE CHEAPER, WOULD ENTAIL EXPENSIVE STRUCTURAL MODIFICATIONS IN TERMINAL'S DESIGN, MORE THAN OFFSETTING ANY SAVINGS ON THE CONVEYOR SYSTEM. THEY URGED MPW TO ALLOW THEM TO NEGOTIATE THEIR OFFER BEFORE MAKING ANY FINAL AWARD AND BELIEVE THEY HAVE RECEIVED SUCH A COMMITMENT FROM THE MPW UNDERSECRETARY, BADER SAUD ABDULRAZZAK.

6. BEFORE DEPARTING, THEY INFORMED EMBASSY THEIR PROSPECTS APPEARED CONSIDERABLY BRIGHTER, AND EXPRESSED BELIEF THEY WOULD BE INVITED BACK FOR NEGOTIATIONS WITH MPW IN SEVERAL WEEKS. THEY REQUESTED EMBASSY CONTINUE TO MONITOR SITUATION FOR THEM, WHICH WE WILL, OF COURSE, DO.

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7. COMMENT: EMBASSY IS PLEASED WITH INITIATIVE FMC HAS SHOWN AND INTENDS TO ASSIST THEM AS REQUESTED, ALTHOUGH OUR INTEREST HAS ALREADY BEEN REGISTERED WITH CONCERNED OFFICIALS AND ANY APPROACH OTHER THAN LOW-KEY ONE WOULD NOW LIKELY BE COUNTER-PRODUCTIVE. WHILE INFIGHTING OVER CONTRACT AWARDS IS ALWAYS TRICKY, WE BELIEVE SOME OF FMC DIFFICULTIES STEM FROM HAVING AN INEXPERIENCED AGENT PITTED AGAINST A VERY INFLUENTIAL LOCAL BUSINESSMAN. MAIN PROBLEM, HOWEVER, MORE LIKELY RESULT OF

MILLION DINAR DIFFERENCES IN BIDS ON A PROJECT ALREADY LIKELY
TO BE, AT LEAST, 100 PERCENT OVER INITIAL BUDGETTING. IF FMC
TO BE SUCCESSFUL, IT PROBABLY NECESSARY FOR THEM TO ATTEMPT
REDUCE BID PRICE OR DEVELOP A FALL-BACK PROPOSAL.
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